GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:598
ANSWERED ON:27.04.2001
DECLINE IN THE FOREIGN EXCHANGE RESERVES
RAM TAHAL CHOUDHARY;SHYAMA SINGH

Will the Minister of FINANCE be pleased to state:

(a): whether India`s foreign exchange reserves have sharply declined as reported in the Hindustan Times dated April 1, 2001;

(b): if so, the details thereof alongwith the factors responsible for such a sharp decline in foreign exchange reserves of the country;

(c): whether the Government/Reserve Bank of India have taken many steps to maintain minimum foreign exchange reserve; and

(d): if so, the details thereof ?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a), (b), (c) & (d): A statement is laid on the Table of the House.

Statement refereed to in reply to parts (a) to (d) of the Lok Sabha Starred Question No. 598 regarding `Decline in the Foreign Exchange Reserves` for answer on 27-4-2001.

(a) & (b): India`s foreign exchange reserves (including gold and SDRs) had declined by US $198 million to US $42.00 billion during the week ended March 23, 2001, as reported in Hindustan Times dated April 1, 2001. The decline in reserves was temporary. India`s foreign exchange reserves have, in fact, increased by US $4.24 billion during 2000-01 from US $38.04 billion at the end of March 2000 to US $42.28 billion at the end of March2001 and they have increased further by US $440 million to US $42.72 billion as on April 12, 2001. The weekly movement in foreign exchange reserves reflects, in general, the demand-supply gaps in the foreign exchange market emanating from inflows and outflows arising on account of India`s international transactions both on the current and capital accounts of balance of payments.

(c) & (d): The level of foreign exchange reserves at present is comfortable, considering the requirements for essential imports, short-term liabilities including debt service payments, and other unforeseen contingencies. The Government and the Reserve Bank of India monitor closely the developments in the balance of payments and in the financial markets at home and abroad and take such measures, as are considered necessary, from time to time to increase exports and invisible receipts, including remittances, to enhance the inflows of capital, particularly foreign direct investments, and to maintain orderly conditions in the foreign exchange market.